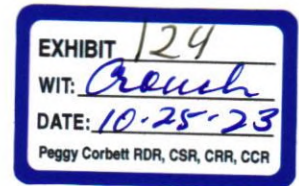


EXHIBIT 56

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In accordance with a protective order, the enclosure(s) shall be treated as confidential and shall not be shown to any person other than those persons designated in paragraph 8.2 of the paragraph order.

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Meeting with Custodia Management to Provide Feedback on the FRBKC's 2021 Review

Attendees

Custodia: Caitlyn Long (Chief Executive Officer), Zev Shimko (President and Chief Operating Officer), Chuck Thompson (Chief Compliance Officer)

FRBKC: Ross Crouch (Exams and Inspections) and Ashle Baxter (Surveillance and Risk Analysis)

Meeting Notes

- Ross
 - Main goal is feedback
 - But, update on my role
 - Will be leading risk review and pre-membership exam
 - Feedback
 - Review work to-date
 - Traditional S&S risks, products, etc.
 - Q4/Q1 is when we did our work
 - Some of this may have already been addressed
 - Disclaimer
 - Not comprehensive
 - As we do more review, we might have more feedback in the same area
 - Exception-based communication
 - Not exam conclusions
 - Don't expect management action from you
 - Just as a courtesy doing this
 - Don't expect a formal response
 - If you disagree, we can discuss
 - Start bigger picture and then more details
 - Capital
 - Proven ability to access capital
 - Internal minimums driven by WY requirements
 - Minimum T1 Leverage Ratio of 8% per SR 20-16 for de novos
 - Typical application commitment for a traditional de novo bank
 - For all banks, we expect tailored capital planning relative to the institution's risk profile and size
 - When looking at you, we'd expect development of prudent capital minimums based on a well-supported internal risk assessment – ops risk and IT risk, etc.
 - A few things that you could consider...
 - Basel Committee has framework for operational risk
 - Few approaches (Basic Indicator and Standard Approach)
 - Could be a potential solution
 - Proxy data for ops risk that capitalizes not on assets based on revenues
 - Not been adopted in the US, except for the largest institutions

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- What you should do is collect internal data and digital asset custody industry as a whole, which could help inform overall risk assessment process at the bank and of your own capital adequacy
- Crypto sprint – covering capital
- U.S. banking organizations working with Basel on this, so could change going forward
- Recommend you explore considering the development of your own capital minimums and targets
- Chuck
 - Collecting operational loss data from the industry as a whole...
 - A little confused and looking for advice on how to view capital losses from the industry as a whole
- Caitlin
 - DeFi issues
 - What is the name of that framework
- Ross
 - Basic indicator approach
 - Standard approach
 - Use proxy calculations, if you don't have data in your institutions
 - Not trying
- Ashle
 - Whatever approach you take, it's about the number but also about how you got to that number
 - How does that capture risks you've identified?
 - Less about the specific methodology and more about does that methodology make sense?
- [Generally positive reaction from Custodia on the capital issue.]
- Ross
 - General comments
 - Board and SM have impressive depth in tech
 - Strong legal backgrounds, IB backgrounds, etc.
 - Where we've seen *de novos* or traditional banks with new products trip up is when there isn't significant depth or expertise in dealing with a broad array of bank regulations
 - May be a lack of general bank experience, inexperience dealing with regulators
 - Both at management and Board level
 - Inexperienced BSA office or lack of staffing
 - Not saying that's a problem here
 - But want to continue to get to know the depth of management expertise
 - Specifically...
 - Custodia may benefit from a separate senior manager or CRO with broad banking experience
 - Dedicated to implementing or overseeing or implementing risk management
 - We noted that RM P&P were rapidly evolving

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- Help ensure a risk management mindset in products and services
- Caveat
 - We didn't dig into the risk assessments for each of your products
 - Has been a lot of work done since the, but...
- Caitlin
 - That's on our roadmap
 - Have two candidates with background in that
 - No formal search because we're trying to get open
 - Have risk committee
 - But know we will eventually want to split that into a single risk officer
 - Chuck's team is officially staffing the risk committee
 - Referenced in last batch of Board materials
 - Depth of BSA staffing, we're on that
 - Chuck is moving to an observer role on BSA/AML committee (like what Katie is doing on the Audit Committee)
 - Will split chief legal and compliance officer roles
 - Will have news as early as this time next week about the people who will take the day-to-day
 - Are bringing on people whose backgrounds I think you will like
 - CCO role, 103 applications in first two days
 - Has about 40 applications for compliance associate role
 - Wont open until CCO is in place and comfortable with new BSA software
 - Also get BSA officer a compliance associate
- Chuck
 - What you highlighted related to expertise, experience dealing with regulators
 - Trying to supplement what we currently have
 - Will have a CCO and CLO, both of whom have deep experience in banking and regulatory frameworks
 - Looking at a compliance associate or analyst from a large financial institution
 - Has a background in this area
 - Current BSA office came from a traditional bank with a background in compliance, BSA, AML
 - Very confident in her capability but trying to supplement in these other areas
 - Want everyone to be comfortable with the screening software
- Ross
 - BSA officer will report to CCO?
 - And that candidate has BSA background?
- Caitlin
 - Yes, majoring of people come from traditional banking world
 - Want regulatory and crypto background
 - Chuck did BSA at LedgerX (not banking, BTC)
 - Mostly WFC or JPM applications
 - But, don't have a lot of BTC experience
 - You saw us be focused on Anchorage
 - We also know about Reserve Trust and interviewed ex-compliance people
 - They're not making our cut
 - Knew this was hot button issue
- Zev

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- WE have also hired bank-experience people
- Former CFO at First Tier and head of Compliance
- Etc.
- Have bank-experience even outside of compliance and legal
- Chuck
 - Focused on setting up a robust compliance platform
 - Don't want a compliance order
 - Compliance, Legal, Security and Risk – Tripod, working together
- Caitlin
 - Person who pushed us on that is Katie Cox
 - On the Board question, we have an open Board seat from Bryan Bishop's departure
 - Board wanted someone who could help us operationalize
 - You may want to see someone with more direct Bank experience?
 - We have two members who were Directors, but that was pre-2008
- Ross
 - Don't want to be prescriptive
 - You know what you need
 - But just want to point out what we've seen at other institutions
 - Would like to know more about their backgrounds to get a sense of that
- Caitlin
 - One was on Board of publicly traded bank
 - They were CBOs
 - Experience was dated
- Ross
 - That's just something that caught my eye
- Caitlin
 - Series A investor would have taken a Board seat, but they didn't want it
 - So we kept the Board we had when going through the application process
 - Have had investors reach out on next capital raise
 - Have been thinking in context of executive committee, they'll need a Board seat
 - When we do a Series B (TBD timing), filling non-Series B shareholder seat, keeping odd number of directors, will fill the Series B with the 6th director, then the 7th could be where we'd fill that with more recent bank experience
 - John and Dick's experience is there but dated
- Ross
 - More detailed feedback...
 - Board Risk Appetite
 - Risk assessment process was at early state during review
 - Board approved residual risk appetites for residual, tech, and cyber, ops, and liquidity – residual was moderate for each of those
 - That's not representative to true risk tolerance under SPDI framework
 - Tech/IT might be higher inherently, but I thought you'd have high risk management processes, which would result in a lower residual risk
 - Same with ops
 - Liquidity risk tolerance is moderate
 - But SPDI framework doesn't really allow that

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- All qualitative and everyone's process is different
 - So you might look at those...
- Caitlin
 - Might be a definitional difference here
 - We won't take liquidity risk
 - We will have 100% in master accounts
 - But we are opening with a correspondent because we don't have a choice
 - We started to rethink all of that when Crowe came in
 - We don't want a moderate tolerance
 - Will document the correspondent as an exception to the "moderate"
- Chuck
 - We're doing exactly what you're suggesting we do
- Ross
 - That's consistent with what we see elsewhere
- Caitlin
 - My need to have a conversation with Ben, who came from Zions
 - He looked at the original risk assessment and said we need to go to a more detailed, large bank approach
 - We should have a conversation with him on that
- Ross
 - Several ALM items...
 - Committee that oversees ALM? Not clear if there is one
 - Handled at the Board, which is fine...
 - Recommend you update investment or liquidity policy to reflect preference to maintain cash \geq 100% of deposits in the Fed Master Account
- Caitlin
 - Could we do that yet?
- Ross
 - Don't want to get over my skis...
 - Not sure
 - Point isn't about eligibility
 - If it's not in policy to maintain it elsewhere, we want more robustness in other areas of the policy
 - Market risk
 - Risk management practices are largely unknown
 - If you expand deposit products or investments, we'd expect that policies and procedures be updated
- Caitlin
 - Don't intend to
- Ross
 - We're okay not seeing it now but want to see if things change
 - Same with liquidity and contingency funding plan
 - We'd want to see policies if you decide to change course on any of this
 - If you don't have it now, just point out in your policies why it's not there
 - The other thing would be on staffing
 - If you start investing, we'd expect to see some sort of Treasury staff

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- BTC sensitivity analysis
- Good that you've done that
- That's new for us to think about
- That incorporates aggressive growth projections
- May benefit from more of a static projection going forward
- Zev
 - Understood, and we could say that BTC is related to AUC fee on custody
 - Projections may seem aggressive, but as a % of market or of existing players in the market with a lower regulatory hurdle, we're applying a pretty significant haircut
- Ross
 - We look at market risk, which has different types of assessments
 - Dynamic report assumes growth
 - Static report holds balance sheet constant
 - This tool could be used to isolate the BTC price impact, ignoring growth and everything else
 - BSA program, we talked about
 - Glad Crowe came in to do a program review
 - Sounds like they're planning to do some more
 - Would like to see their report when done
 - Rob mentioned to you about having a BSA software system validated after opening
 - (Chuck – that's part of the Crowe review)
- Caitlin
 - WY plans to come in and do a mini-BSA review within first three months of launch
 - Cert of authority requires full testing of BSA systems
 - They'll accept the Crowe report on that
 - Then they'll come in right after we take our first deposits and do a mini-BSA exam
- Chuck
 - Have close to 800 test cases we'll run through on the BSA platform
 - Part of reason we switched to Foundry because we couldn't certify Temenos
 - We'll do that and Crowe will do their own assessment
- Ross
 - Is the certificate the same one we got a while back?
- Caitlyn
 - We'll send it to you
 - Zev is working with WY on checking
 - PDF on final requirements we received
 - That's the final check list on that
- Ross
 - Is that limited to core banking?
- Caitlin
 - Yes
 - Anything outside of banking business requires prior approval from them
 - Avit and Custody, we have a list of things we'd need to do
 - Not yet approved to take a digital asset custody customer until they sign off

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- Same on Avit
- Ross
 - Last item not really feedback
 - We requested a customer agreement on custody, if you have it
- Caitlin
 - Still owe you that
 - But Chick is doing compliance and legal officer roles, so very busy
- Chuck
 - Have a draft that we're cleaning up
 - Then a separate customer agreement we're finalizing now
- Caitlin
 - Is it an addendum?
- Chuck
 - Customer agreement for fiat
 - Separate agreement for digital assets (custody agreement)
- Ross
 - You probably have questions on pre-memberships exam
 - Applications will reach out to you to schedule a meeting on next steps in next couple of weeks
 - Now, we need to do a deeper dive and will need to scope and staff it
 - Want to understand operational risk, including IT and payments risk
 - Initial review was high level
 - So we'll focus on that
 - Will have questions on key controls
 - Will focus on specific operational risks related to planned products and services
 - Core banking, custody, and prime services
 - Will build on information we've gotten so far
 - Risk management and assessment process will be another focus
 - RSM audits, we will look into those
 - Internal audit and does it cover key controls, etc.
 - And BSA/AML, of course
 - And custody
- Zev
 - On internal audit, RSM can do prep work prior to launch
 - But they have a schedule covering these areas in a three-month period
 - Are there things you'll need to see before we launch, or if you're okay with those being on a timeline, which RSM tells us is standard
- Ross
 - Treading lightly here...
 - Want to see the scope, related to key risks
 - Depends on timing of reviews and on planned products
 - With BSA, you're getting system validations beforehand
 - So, to some degree, we'd want to see some validation work done
 - We might need to explore that together
- Zev
 - We can review the scope in one of our next conversations
- Ross

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- We won't make a decision for you, but we can get some audit risk specialists who will be involved in that review
- More of a non-objection than anything else
- May be other stuff, but those are the big rocks
- Caitlin
 - This is extremely helpful feedback
 - Know where we need to go
 - If you want a time to talk about everything going on in digital assets
 - SEC uncertainty, etc.
 - PWG – been talking to an number of people
- IBRFs for Caitlin and Bryan
- Do you need more IBRFs?
- Ross
 - Applications can answer that for you

Ross's Prepared Talking Points

Outline for 5/17 meeting with Custodia

- Hellos
 - There has been a lot to digest in recent months related to
 - **the recent SEC rule (SAB 121) on reporting crypto assets under custody,**
 - the recent **consent order with Anchorage Digital Bank** which I am pleased to see is on your radar,
 - **Terra Stablecoin failure,** and
 - **Volatility** in the markets in general.
 - If we have some time at the end of the discussion, I'd be curious to hear your thoughts on that stuff. I'd also like some updates.
- My role going forward
 - I'll be leading the risk review and the pre-membership examination activities. I look forward to working with you in that capacity going forward.
- Thanks for their responsiveness.

Actual Feedback

- Goals of the discussion – We've had a chance to review what has been submitted thus far, and we wanted to provide feedback regarding what we've seen.
- Acknowledge the timing of this discussion – and some of the items have been addressed.
- The feedback is not comprehensive, and we may have more feedback in the future.
- We are exception based.
- The feedback of this review does not represent risk review or pre-membership examination conclusions.
- In that vein management action or resolution of these items is not required.

Capital Adequacy

- Initial capital levels look sufficient, and we noted Custodia's proven ability to access capital as a positive.
- Internal capital minimums are driven by Wyoming requirements, and we noted that management anticipates maintaining a minimum Tier 1 leverage ratio of 8 percent, which is derived from SR 20-16, *Supervision of De Novo State Member Banks*, which is a typical capital minimum for traditional de novo banks.

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- We would expect to see tailored capital planning and related policy guidance relative to the financial institution's specific risk profile.
 - Here, we would expect that management develop prudent internal capital minimums or framework for determining capital minimums based on a well-supported internal risk assessment, with a particular emphasis on operational risk.
- Not prescriptive, but there are a few items that could be considered:
 - The BASEL Committee on Bank Supervision (BCBS) has a framework for operational risk that could be a potential solution.
 - There are a few approaches that are offered, both the Basic Indicator Approach and the Standard Approach, may be worth considering.
 - This BASEL framework for operational risk has not been adopted in the U.S., except for the largest institutions.
 - Management should collect operational loss data from its own activities (which there hasn't been any) and from the digital asset custody industry and use this information in the overall risk assessment process and to inform its assessment of capital adequacy.
 - One of the topics that is being covered in the Interagency Crypto Sprint is capital and it was noted that US Banking organizations will continue to engage with the Basel Committee on Banking Supervision in that area.
 - Recommend exploring considering developing your own capital minimums and targets with the understanding that something could be coming from the crypto sprint.

Board of Directors, Staffing Depth, BSA Officer

- Some general comments here.
- Security and Compliance First – is Custodia's philosophy
- As I mentioned before, I was pleased to see that there was analysis performed on the consent order related to Anchorage Digital Bank.
- We know that the board and senior management have impressive depth in tech, legal backgrounds, investment banking, and that the board members have diverse backgrounds and serve on other boards.
- Where we've seen financial institutions get into trouble or trip up, is when they don't have significant depth or experience in dealing with the broad array of bank regulations, general bank experience, and experience working with regulators. That could be at both the board and management level, and as specific as the bsa officer level.
- I'm not saying that is a problem here, but we'll want to continue to get to know the depth and breadth of management expertise here. Just know that board and management depth is critical.

Chief Risk Officer

- Custodia may benefit from a separate, senior manager or chief risk officer role, with broad banking experience, dedicated to implementing or overseeing risk management.
- During our review, it was noted that risk management policies and procedures were rapidly evolving. As the firm grows and implements its plans for large bank enterprise risk management, consideration for hiring a separate, senior manager or chief risk officer role dedicated to implementing or overseeing risk management. This could help with ensuring a risk management mindset during the process of developing products and services to ensure that policies and procedures, and processes keep pace

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- Caveat, At the time of our review, we did not really dig into how the risk assessments are conducted for each of the business lines and risk areas and I know there have been some iterations in the risk assessment process since we last spoke.
 - Back pocket info: During our review it was noted that risk management is currently under the purview of the Chief Compliance Officer and Chief Legal Officer Chuck Thompson. This appears to be a relatively atypical structure, particularly since operational risk (technology related risks) appear to be the biggest safety and soundness risks to the firm.

Board Risk Appetite

- Acknowledge that at the time of our review the risk assessment process was in an early state.
- Board approved residual technology/cyber risk, operational risk, and liquidity risk appetites are moderate. This does not appear representative of the true risk tolerances allowed under the SPDI framework.
- I know this is still an iterative process.

Asset/Liability Management

- It is unclear if there is a committee that oversees asset/liability management.
- Update investment policy or liquidity policy to reflect management's preference to maintain cash equal to at least 100 percent of customer deposits in the Fed Master Account.
- Overall ALM policy guidance is fairly limited, and we would expect those areas to be expanded if there was a shift in philosophy, ie purchase of securities and/or expansion of deposit products.
- Market risk management practices are largely unknown. Enhance policies, procedures, and risk limits if the company were to introduce market risk (purchase of investment securities and/or expansion of deposit products)
- Liquidity policies and a contingency funding plan were not provided to the FRB. Develop appropriate liquidity policies, procedures, and risk limits if meaningful liquidity risk is assumed. (change in planned deposit products or intention to invest cash)
- If Custodia began purchasing securities, the management should develop duration, concentration, and credit quality limits for the investment portfolio and expand the investment policy guidance beyond the language used in WY SPDI statutes.
- In addition to committee oversight, management may look to add treasury staff if they shift strategy to purchasing investments.

BSA Software

- Acknowledge that management received the BSA program review from Crowe – Pleased to see that you received the review.
- Reiterate the importance of BSA validation/independent test for your BSA systems (Chainalysis and Palintir Foundry) – management committed to obtain an independent test within three to six months of operating.

Custody

- Preliminary/proposed customer agreement or summary of terms for custody services was not provided to the FRB.

Focus of Future Review

- Naturally questions related to the pre-membership exam are front of mind. I believe our applications folks are planning to schedule a meeting to discuss next steps.
- Risk review element of the pre-membership exam:
 - Operational risk – questions on key controls

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- Focus on IT/Operational risks related to planned products and services, core banking, custody, and prime services.
- Information Technology and Payments Risks – deeper dive
- Risk Management/Risk Assessment Process
 - Audit
- BSA/AML Program – thank you for the updated information
- Custody – follow up info related to terms, and look into controls
- Other miscellaneous stuff as well.

Updates that they would like to provide:

- Chuck Thompson departure
- Qualifications of Kayla Fennell – prior experience seems to be limited
- Launch mid June – alpha customers (5) – just core?
- Certificate of Authority – working through those requirements – is that just related to Core Banking?